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The **Management** **REVIEW**



AUGUST, 1941

COMMENT • DIGEST • REVIEW

THE AMERICAN MANAGEMENT ASSOCIATION

The American Management Association is composed of industrial and commercial companies and executives interested in modern management. The AMA makes no profit, does no lobbying, and advances no propaganda. Its interests are solely the solution of current business problems.

Organization and Operation

The AMA serves its members through seven divisions: Office Management, Personnel, Production, Marketing, Finance, Insurance, and Packaging. Each of these divisions is headed and directed by a man drafted from industry.

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Each of the seven AMA divisions holds at least one annual conference, where problems of timely importance in its field are discussed. Printed conference proceedings go to members of the divisions concerned.

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THE MANAGEMENT REVIEW (monthly) contains digests of articles on management appearing in over 400 publications, and brief reviews of current business books. It enables a busy man to survey all current topics of interest to him in less than 30 minutes. PERSONNEL (bi-monthly) publishes articles on employee selection, training, compensation, and the like. BUSINESS CONDITIONS AND FORECASTS (monthly) gives a summarized analysis of the statements of six of the foremost business services.

Editor — JAMES O. RICE, 330 West 42nd Street, New York, New York
Assistant Editor — M. J. DOOHER

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 330 West 42nd Street, New York, N. Y., at fifty cents per copy or five dollars per year. Vol. XXX, No. 8, August, 1941. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

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Volume XXX

No. 8

Copyright, 1941

American Management Association

Printed in U. S. A.

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August, 1941

HOW far has American industry come along the road to rearmament? Is there justification for the defeatist view that our defense program has been muddled, that industry has dilly-dallied so long it is hopeless to attempt to catch up? An emphatic "no" is voiced to this question by Burnham Finney in the opening abstract in this issue. Despite the magnitude of the defense task (it is equivalent to the building of five Panama Canals monthly), much more has been accomplished than in the similar period of the last war; industry is already 80 per cent retooled. The sleeping giant is awakening: before the end of the summer, Mr. Finney predicts, mass production of armaments will be under way in earnest, and the world will marvel anew at a miracle of the industrial age.

WASSAIL and good fellowship abound every payday at Modern Collet and Machine Co., Ecorse, Michigan, when management taps a barrel of beer for the workers. This labor Utopia also provides soft drinks every two hours, breakfast on company time, etc. Lest the firm be accused of paternalistic flimflam, it should be stated that it has other more substantial policies which have helped it maintain employee morale during a period of rapid staff expansion. Read about them on page 286 (Roll Out the Barrel).

COMES payday, the foreman is frequently "the forgotten man" of industry—at least so far as adequate compensation is concerned. Indeed, under forced-draft conditions and extended overtime, some workers are receiving larger pay checks than their supervisors. This lack of a fair differential is not only injurious to morale but is, in fact, one of the reasons for the current bottleneck in supervision. In recognition of this, forward-looking companies have taken measures to pay foremen for overtime and otherwise adjust their basis of compensation.

How much more should foremen receive than their subordinates? What salary ratios should prevail for other levels of plant supervision? For one company's formula for factory salaries, see page 292.

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THE MANAGEMENT INDEX

General Management

Is Defense Production in a Mess?

ABOUT a year ago the United States of America started to build the biggest industry the country has ever known. The industry was munitions making. We began from scratch without any nucleus except a few army arsenals, a naval gun factory, and a puny aviation industry.

We may put it this way: The world marveled at the magnitude of the operation of building the Panama Canal. Yet, on the basis of cost, American industry has been given the task of constructing five Panama Canals a month for an indefinite period ahead. Later it is likely to be seven or eight or ten. Compressed within twelve months, industry will be asked to turn out defence equipment—planes, tanks, ships, guns, ammunition—equivalent to 60 or 70 Panama Canals.

How far have we come in twelve months? What kind of production job is industry doing in building these colossal defenses?

One thing can be said without equivocation, and needs to be said above

the chorus of complaint. Our defense production program is not "in a mess." There is emphatically no cause for defeatism on the subject. Unquestionably, things could be better; but we have gone far in a year's time—much farther, for instance, than in the initial year of our 1917-18 production effort. Despite confusion and waste motion, America is achieving another miracle of the industrial age.

Our defense aims are not muddled, the serious disputes on the precise allotment of capital and resources to various branches of military defense notwithstanding. A broad program has been laid down on land, on water and in the air. It calls for:

1. Production of all combat equipment for an army of 2,000,000 men and all heavy equipment for an additional 800,000 men; together with the creation of productive capacity for making all goods essential for an army of another 1,200,000 men.
2. Construction of a navy of over 900 ships, the largest and most pow-

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erful naval force in world history, with fleets in both the Atlantic and Pacific. The warships, cruisers, destroyers and other fighting craft require supply ships and fleet auxiliary units. Then come cargo ships for Britain.

3. Creation of an air armada, the like of which the world has never seen; 50,000 or more military planes was the first objective, a goal that has since been raised. The new bomber program announced in May specifies production of over 2,000 bombing planes a month by 1943.

On top of all that, as well as integrated with it, is aid to Britain. It is obvious that our program was formulated, and has been altered from time to time, with a close eye on British requirements.

Two vital defense factors must not be overlooked: skilled labor and skilled management. Two million men have been employed in American industry as a direct or indirect result of the defense program. Another million and a half are likely to be required by the end of 1941. In the next 18 months, the shipbuilding industry, including government yards, must expand its forces by 305,000 workers; it now employs 251,000. Of the machine-tool industry's 85,000 employees, over half have been put on the payroll in the last year. No skilled man should be without a job today.

Yet there is no acute shortage in manpower. There are good reasons why. By next January more than a million workers will have received training in public schools and engineering institutions; several hundred

thousand others will have had work experience with related training in NYA courses. Private industry has trained tens of thousands more. But the most plausible reason for absence of a serious shortage of labor is in the mass-production process itself. Manufacture has been broken down into relatively simple operations of a repetitive nature, so that men learn quickly and reasonably well some one operation. Men off farms or from small towns make passable machine operators in three months.

Acute need has also risen for more supervisory help. Good foremen and factory superintendents are more valuable than ever. Biggest headache of all for many defense contractors is the shortage of highly experienced management. The defense job is so big that it is difficult to find and buy the commodity known as "management brains." Defense manufacture is more complicated and precise than production of peacetime goods; one great corporation has found that the same supervision required to make \$3,000,000 worth of peacetime goods can be spread over only \$1,000,000 worth of munitions.

How far have we come down the armament road since last September, when the defense effort started in earnest? The showing is far from bad and helps explain why Hitler is so eager to knock off Britain this year. Here is the record, open to public inspection:

1. Total defense contracts awarded to industry amount to \$13,000,000,000 and are rapidly going up.

2. About 800 factories have been erected at a cost in excess of \$2,000,000,000, of which one-third was financed privately under a government guarantee.

3. Direct expenditures for the defense program rose from \$219,000,000 in September, 1940, to \$572,300,000 in January, 1941, and jumped to \$761,000,000 in April. By April, 1942, it is expected that output will expand to \$2,000,000,000 a month.

4. The nation's industries are about 80 per cent retooled for the defense job.

5. Before the end of the summer, mass production of munitions should be under way.

6. We are at least eight months ahead of where we were in 1917-1918 after a year of effort. Much of the gain comes from the spadework done under the Industrial Mobilization Plan, as carried out by the Army and Navy Munitions Board in the past 20 years, in surveying the country's industrial facilities; 95 per cent

of ordnance contracts placed by the War Department have been with companies under that plan.

We thus have something to crow about, but not too loudly. The production statistics are on the right side, but not far enough over.

Our existing machines must be used to their full capacity. The only way to use them is to subcontract more work. Despite all the ballyhoo about the percentage of work "farmed out," it is too low.

However, when our mass-production factories get into full swing, the speed with which we will turn out war materials for Britain and ourselves will amaze the world.

BY BURNHAM FINNEY. *The American Mercury*, July, 1941, p. 23:10.

Industrial Facts About National Defense

SINCE the Wright brothers' time, United States industry has built 60,000 planes of all types. The present defense program calls for 40,000 within 18 months.

Industry has greatly increased the average speed and range of army bombers in the past few years. In 1938 the top speed of a bomber was 224 miles per hour; today it is 295. In 1938 the maximum range of a bombing plane was 2,375 miles; today this range has been increased to 3,255 miles.

One large, four-engined bomber of the type American industry is now building for defense carries up to 11,000 gallons of gasoline when fully loaded for flight. This capacity is more than that of a standard railway tank car. And the gasoline used on a 24-hour mission is about equal to the amount an average automobile would require to make five trips around the world!

The average consumption of steel in this country equals 600 pounds a year for each American. The comparable average for textiles is 30 pounds, and for oil products, 2,500 pounds.

In the eleven months since the present defense program got into swing, American industry's output increased 24 per cent—the largest increase in physical output in any similar period in our history.

—Industry 7/41

A Business Man Views Research

TODAY industry is "all out" for defense — and America appears to be becoming prosperous by the production of guns, tanks and bombing planes. But, unfortunately, what we are experiencing is merely a pseudo-prosperity.

The machines of war, while essential to our national safety, are not wealth creators. The gigantic tax burden we will face as a result of this armament program can be met only by producing vastly greater quantities of new wealth in the form of goods and services for enjoyment of a high plane of living. Only by creating more wealth than ever before can we create the jobs which will be needed tomorrow.

The first step toward expanding wealth creation is research—research to find new products, new processes, new industries. . . .

American industry knows the value of research. It operates almost 2,300 industrial research laboratories, and employs in them about 65,000 scientists and technicians. Industry's research budget is more than \$300,000,000 a year.

Employment is relatively greatest in those industries in which scientific and technological progress has been most advanced, as in the electrical, chemical, automotive and motion picture industries. Depression experience proved that unemployment was most serious in those industries which have been relatively slow in taking advantage of

scientific development and inventions.

As recently as 1920 not a single major chemical company was listed on the New York Stock Exchange. The American chemical industry is virtually a development of about the last 20 years. Now it is the third largest industry in the United States. The jobs in it are the product of research.

We are today on the threshold of what may be one of the greatest industrial developments of all time: the synthetic chemical industry—the manufacture of innumerable products from raw materials like farm crops, petroleum, coal, air, salt and water. Some say we are entering an age of plastics.

Already the synthetic chemical industry is reducing our dependence on Japanese silk. It is giving Americans jobs producing fine fabrics, like nylon and rayon. Industry has become the farmer's greatest customer. Plastics are made of cornstalks, of skim milk, and other agricultural products. Rayon uses great quantities of cotton linters. Sweet potatoes are being utilized to make glue. Improvements in the automobile, the airplane, and in rubber tires have involved use of soy beans and of other farm crops. One chemical company alone buys every year 16,000,000 pounds of cotton, 700,000 pounds of cottonseed oil, 36,000,000 pounds of cotton linters, 36,000,000 bushels of corn, 38,000 tons of wood pulp, and 46,000,000 gallons of molasses.

Research has put more money in the

working man's pocket, and it has made that money go farther.

The average factory worker in the United States today earns \$31 a week. His father or grandfather in 1914 earned less than \$13 a week. In terms of real wages, the pay check of today will buy 76 per cent more than in 1914. There has been little or no increase in the ability of the individual in this period. The improvement has been in the machines with which the individuals work.

The average new automobile in 1940 sold at retail for \$778. Fifteen years earlier the average price was more than \$1,000.

In 1888 aluminum was used to cap the Washington Monument. It cost \$1.10 an ounce and was so rare Tiffany displayed it. Today aluminium is about one cent an ounce.

Since 1930 the price of evaporated milk has been cut in half.

All this progress has taken place as a result of research and invention—improvement in raw materials, in products themselves, and in the production processes and equipment with which they are made.

Although many companies have done a research job of which America can be proud, research is still one of the least-developed resources of the nation. In the research which has not been done, America may have missed many a nylon, neoprene, polaroid, or even an automobile industry.

What can we as manufacturers do about expanding research to make way for prosperity after this defense emergency?

The National Association of Manufacturers recently completed a survey of company research budgets. It found that 181 manufacturing companies, about 8 per cent of all that are known to have laboratories, spend in the course of a normal year 2 per cent of their gross sales income for research. Many spend 10 per cent or more. Dr. Karl T. Compton, who directed this study, declares that if all American industry invested 2 per cent of its gross sales income for research there could be mobilized in America a quarter of a million scientists and engineers and a billion dollars a year for the development of new goods, new services, new industries and new jobs.

This program of expansion of research is one of industry's answers to the question of what to do to prevent a postwar depression. The program is specific. Achievements of far-reaching importance are possible. Companies which may not be justified in establishing laboratories of their own can move in the right direction by utilizing one of the following methods of research:

1. Engaging the services of private laboratories or engineering consultants.
2. Hiring a young engineer or scientist and giving him a relatively free hand to study the company's products, processes, and technical problems.
3. Providing a fellowship at a university for a graduate student to study some specific problem.
4. Engaging the services of a research foundation where many trained scientists are available to apply their talents to a company's needs.

5. Obtaining the services of a trade association equipped to carry on research in the company's particular field, perhaps cooperatively for an entire industry.

Science and industry are working hand in hand on this problem. A third necessary member of the team is Government. Its function is to provide the national policies which enable research and the brain-children of research to thrive in industry.

Tax policies which reduce the amount of income available for research and development are handicaps

to employment creation. Federal income-tax allowance for depreciation on equipment is often so low that companies find it impossible to replace obsolete machinery with new equipment which would bring the benefits of technological advance.

It has frequently been suggested that allowance on corporation income taxes be made for funds invested in research. This may be worthy of serious consideration if industrial expansion is to be encouraged in order to create jobs and prosperity. BY F. R. HOADLEY. *Connecticut Industry*, July, 1941, p. 4:3.

Unions Are Big Business

TRADE unionism has become Big Business, with an annual "take" estimated at \$250,000,000 to \$500,000,000. Apparently it is destined to become an even larger and more profitable business during this period of sharply increased employment and high wages.

Total employment is at an all-time peak, offering a large field of prospects. Wages are at the highest levels in history, making the collection of substantial initiation fees and dues relatively easy. Employers striving for uninterrupted production for defense are granting many concessions to unions that would have been bitterly contested a year or two ago. Indeed, many large employers who have strongly resisted organization efforts in the past have recently granted recognition, and in some cases a closed shop,

to avoid interference with defense production.

The situation is without parallel in American history. The two large unions are in clover, with internecine warfare as their only serious problem.

Claimed membership in 1940 was about 9,000,000, and presumably all members are now paying dues. The new members are paying initiation fees. In some cases, non-members are contributing to union coffers by paying a substantial portion of their wages for temporary "work permits," especially on the government's defense construction projects.

Refusal by union officials to discuss their finances and the lack of laws compelling them to issue financial statements make a complete and exact picture of the "take" impossible. C.I.O. last year made no financial report

"upon the advice of counsel"—this to avoid embarrassment in present and potential litigation.

Legitimate union income is derived mainly from three sources: periodical dues; initiation fees; and special assessments. Income received from "shakedowns" of employers or other forms of graft generally is not officially recognized.

C.I.O. dues and initiation fees ordinarily are considerably lower than those of the A. F. of L., for two reasons: Craft union members in the A. F. of L. include a larger percentage of skilled workers who receive higher wages and are able to pay higher dues and fees; A. F. of L. craft unions often have mutual insurance plans which necessitate higher charges.

Thus, while C.I.O. dues in the newer unions may be as low as \$1 monthly, and initiation fees only a few dollars, the A. F. of L. charges fees ranging to above \$1,000, so high that it is almost impossible for the average man to break in, no matter how well qualified. The truckers in Seattle, for example, charge \$500; the motion picture operators in Cleveland, \$1,000; the glaziers in Chicago, \$1,500.

Competition between the C.I.O. and A. F. of L. sometimes determines the amounts charged members. When the C.I.O. was launching its Construction Workers Organizing Committee, it advertised that it levied no initiation fees and charged only \$1.50 a month dues. This, of course, was in marked contrast to the excessively high fees and dues charged by the entrenched A. F. of L. building trades unions.

With charges varying from local to local and from industry to industry, the average cost to the worker for union membership is impossible to obtain. An estimate of \$2 per month average is conservative, and with a total trade union membership swollen to nearly 10,000,000 through government policies and the exigencies of war, the yearly revenue is at least a quarter billion dollars.

The Steel Workers Organizing Committee and the United Automobile Workers and other large and new unions of the C.I.O. generally assess dues of only \$1 a month and moderate initiation fees. Nor have these unions levied large special assessments to date. On the other hand, the older unions were assessed to finance the organization drives of the past few years. The S.W.O.C., for example, cost C.I.O. about \$2,000,000 before it became self-supporting.

Experts' investigations have revealed some curious methods employed by the unions to gain revenue. Thus, at Ft. Meade the electricians' union charged non-members a daily fee of \$1 or \$2 for a working permit, instead of admitting new members. A carpenters' union went to the other extreme, with profit: large numbers of untrained and incompetent men were admitted, to be discharged soon after paying high initiation fees. It has been reliably estimated this union made \$400,000 on the deal.

Obviously, such practices of exploitation have nothing to do with the legitimate objectives of organized labor;

nevertheless, they are common—and profitable.

Strangely, the government, instead of controlling or prosecuting such abuses of power, has virtually erected an umbrella over the organizers. Trade

unionism is the only big business that needs not submit to myriad government controls in the form of financial reports, taxation, price regulations, and the like. *Steel*, July 21, 1941, p. 21:3.

Wanted: Hands

FROM the dairy farms of New England to the wheat lands of the Great Plains, there's a desperate cry for hired hands. Johnny's got his gun and Henry's gone off to work in a munitions plant. Who's going to milk the cows and harvest the wheat?

The pinch came first—and continues to be very severe—in the milk-producing areas that supply the nation's great industrial centers. In some states the supply of labor is running less than 70 per cent of normal and demand is about 95 per cent. A year ago, when defense industries' fancy wages were just beginning to lure men off the farms, supply was running over 80 per cent of normal and demand was around 90 per cent.

To farmers who were on the land in the last war, it seems that history is repeating itself. In 1917, the national average farm wage without board was \$40.19 a month. This average rose to \$65 in 1920, and then flopped to \$42 in 1922.

The average farm wage on April 1 of this year wasn't high by comparison with 1920, standing at \$40.46 a month for the country as a whole. Yet \$40.46 a month is \$5 more than farmers were paying at the beginning of 1940 and it's very nearly double what they were paying in 1933.

The country over, there is a growing clamor for many expedients, a large part of them reminiscent of things we saw during the last war. Draft boards are being importuned to grant deferment to farm laborers subject to call. Men already in Army camps close to home are getting furloughs to help with harvests. For later crops, there is agitation to delay opening of high schools and colleges to free boys to help with the harvest.

—*Business Week* 7/5/41

Laggards in the Defense Boom

DESPITE unprecedented industrial activity generally, many individual industries are operating at levels of production and employment considerably below pre-defense peaks.

Total durable goods output is up most sharply under the defense program. But peak monthly output in seven durable industries since June, 1940, has been lower than peak monthly volume from January, 1935, to June, 1940. The seven industries are tin (deliveries), zinc and lead (shipments), copper smelting, polished plate glass, brick, and automobiles.

Average annual mineral production under defense was only 3.5 per cent above that of the previous year. Output of anthracite coal, silver, lead, gold, bituminous coal, crude petroleum, and iron ore shipments remained below pre-defense peaks. Twenty-five non-durable industries are also operating at lower levels.

Ten durable and 34 non-durable goods industries and 12 mineral and non-manufacturing industries have not attained January, 1935-June, 1940, employment maxima.

—*The Conference Board Economic Record* 7/24/41

Roll Out the Barrel

MODERN COLLET AND MACHINE CO., of Ecorse, Michigan, is an outstanding example of success in maintaining good fellowship and loyalty during a period when number of employees increased from 37 to 225.

Starting out as a manufacturer of collets and pushers for automatic screw machines, it added replacement parts for all kinds of such machines. Today the complete rebuilding and modernizing of automatic screw machines is the major part of this firm's business, and its products or services are used by over 2,500 manufacturers.

The success of the company is largely due to its personnel policy, which gives every man a sense of responsibility and encourages progress through study, initiative and suggestions. Only two men have left the company in nine years.

Annual vacations with pay, a Christmas cash bonus, classes in mathematics, financial support of an athletic program, breakfast on company time, soft drinks every two hours, and a barrel of beer every payday afternoon reflect management viewpoint.

The individual welfare of employees is the immediate concern of this company's president, and his door stands open to every employee. He often helps men with the necessary down payment for the purchase of homes and goes on a note in time of illness or other trouble. Recently the management adopted hospital expense and surgical benefits for employees and their dependents. Daily benefits are \$6 for foremen and executives and \$4 for other employees, while surgical benefits run to a maximum of \$150. Employees contribute to the cost.

—Notes and Quotes 7/41

"Equal Pay for Equal Work"

WITH women's employment increasing, the problem of equal pay for equal work is still with us. However, under the Fair Labor Standards Act some progress in this respect has been made, since the law forbids the setting of minimum-wage classifications on the basis of sex. The data available indicate that relatively more women than men have received wage increases as a result of the statutory rate and the special orders issued under this Act. For example, a study by the Bureau of Labor Statistics in 1939 shows that in the shoe industry 43 per cent of the women compared with only 12 per cent of the men were earning less than 35 cents, the rate afterward set for the industry. Yet the problem is still vexing, not only to the woman who must work for less, but to the man whose job may be given to a woman.

Recent studies of the Bureau of Labor Statistics enable a comparison to be made of the earnings of men and women on the same job classifications. These studies cover leather, enameled utensils, and jewelry.

Considering only jobs reported by both men and women, the average of women's hourly earnings was most often about three-fourths as much as that of men. In the leather industry, the women received from 60 to 81 per cent as much as men; in making medium- and low-priced jewelry, from 61 per cent in skilled work to 75 per cent or more in semi-skilled; in making enameled utensils, from 63 to 95 per cent.

The jobs classified under the same heading are not necessarily identical. It is stated often that men do the heavy work, women the light, on jobs in other respects the same. One questions, however, whether these differences would exist in a plant where men did both the light and the heavy work. On the basis of supply and demand, is it harder to find strength then dexterity?

—The Woman Worker 7/41

Office Management

Testing for Mental Alertness

ALL mental alertness tests for clerical workers have their limitations, and a description of one of these tests, such as Life Office Management Test I, will direct attention to some. The scoring in this test does not necessarily indicate an aptitude for any particular line of work, nor does it indicate that an individual will be above or below average in his production on a particular level of work. Instead, the scores do predict definitely and consistently the ultimate job level which an individual may be expected to reach after a specified period of service. Therefore, it may be said that an important purpose of this test is to predict the probable promotability of an individual.

The following findings indicate the test's predictive value: On the basis of a large number of cases from companies using this test, it has been established that if a person scores below 70, there is a 69 per cent chance that, at the end of from five to ten years, the employee will still be doing complicated work of the lower grade, and only a 6 per cent chance that he will be doing complicated work of a higher grade. There is relatively no chance that the employee will ever reach the level of a decision-making job.

From these same sources, it has been established that if an applicant's score range is from 150 to 169, there is little or no chance that the employee will still

be in a simple clerical job at the end of from five to ten years, and only an 11 per cent chance that the employee will be holding a complicated clerical job of the lower grade—but a 28 per cent chance that he will be doing complicated clerical work of a higher grade, and a 61 per cent chance that he will have progressed into a decision-making job. Scores higher than 169 indicate that, with most unusual exceptions, the applicant will, within the space of five to ten years, progress to the most complicated clerical work or into a decision-making job. Obviously, the most important group for general employment purposes is the group in the grade range from 70 to 149.

Applicants who have taken a Civil Service examination, or any type of alertness or I.Q. test, are likely to make a slightly higher score than those who have never taken a similar test before. Taking the same test, even after a lapse of a number of months, may result in a much higher score on the second attempt. Therefore, inquiries about other tests should not be overlooked at the time of the interview. Where more than one organization is using the same test, it has often proved advisable to exchange 3 × 5 cards showing the identification of the applicant, date of the test, and the score.

Definitely, an alertness test will not predict the possession or lack of the qualities an employee should have in

order to be a successful clerk. Instead, the test is principally concerned with those abstract mental qualities needed for promotion. It might be said that a test of this kind primarily predetermines the "teachability and promotability" of an applicant.

While the test is not an aptitude test, there are some indications of aptitude that should not be ignored. For example, not infrequently an applicant for a position will miss all or a majority of the questions in simple mathematics. Such an applicant would probably be unsuited for work involving calculations, bookkeeping or the continuous use of figures. Likewise, an applicant who shows a marked lack of knowledge as to the meaning of words, even though a high score is obtained otherwise, probably would not be a wise choice as an Ediphone or Dictaphone operator.

Results of mental alertness tests are

not infallible, and such tests cannot replace a well-conducted interview. As a tool in the employment procedure, however, they supplement and corroborate the findings of the interview.

Mental alertness tests are probably of even greater value in selecting clerical personnel in smaller companies than in larger companies. In the smaller organizations (that is, those involving up to 150 clerks) there are more "multiple jobs" than in the larger organizations where the work is more highly specialized. Percentagewise, as well as actually, there is much less "routine work" in the smaller offices. Obviously, if a majority of clerical jobs are of a routine nature, offering little opportunity for promotion, it would be a mistake to fill vacancies from the ranks of those who score high in mental alertness. BY RALPH W. BEESON. *NOMA Forum*, June, 1941, p. 11:11.

AMA OFFICE MANAGEMENT CONFERENCE

The Office Management Conference of the American Management Association will be held on Wednesday and Thursday, October 22-23, at the Hotel Pennsylvania, New York.

Color Speeds Filing and Checking

HORDER'S, Chicago stationer, is improving operations in its offices and warehouse by using office supplies in color for classification. Some of these uses are: to attract attention, to control action, to classify, to indicate values, to symbolize. Identification may cover records, individuals, departments, notices, bulletins.

Pencils are available in as many as 24 colors and can be used to distinguish the work of individuals, of departments, floors, branches, stages of work. In the seven-story Horder's warehouse building, checkers use a different-colored pencil on each floor to check merchandise in and out. By the color of the pencil employees handling the invoices can tell at a glance the procedure that has been completed.

Interoffice memoranda on colored paper identify immediately the department of origin at Horder's. Each major department uses a different-colored second sheet to expedite the routing and identification of file copies.

Eight different colors of transparent index tabs are used to locate reference pages in catalogs, manuals, etc.

Filing cards in six different colors and guides in three permit each department to set up its own system of follow-up, without confusing departments.

Other methods of making color solve problems include those followed by Allied Mills to give a visible service award report. Advertising Checking Bureau separates accounts by the use of different-colored office and duplicating papers.

—American Business 6/41

Girls Preferred

ALTHOUGH women have been employed for years at the Sperry Gyroscope Company, Brooklyn, girls from 18 to 22 have been unprecedentedly popular there since government defense orders, amounting to millions, came piling in last spring. When that brought to light a scarcity of skilled workers, girls were given a break in the company's training schools. Although they number only 600 among 16,000 employees, this is said to be the largest unit of girl defense workers in any plant in New York.

"Girls' fingertips are bound to be more sensitive than men's," declares David Click, director of personnel, explaining why he prefers girls on certain precision jobs. "They are better than men at calibrating. If the instrument isn't going quite right, a man will tinker with it. He isn't skilled for that. A girl will turn it back immediately. A girl is content to watch needle oscillations and test whether they are right or wrong."

This plant prefers girls who never have had any previous business experience. "We like to get them right out of high school," Mr. Click said, "—girls who have never done anything before. Then there's nothing to unlearn. We can train them on the job in a few weeks. Any former industrial experience couldn't be valuable for our workers." He said he would employ twice as many girls if it were not for the law that prohibits midnight working. The plant operates around the clock, but girls are on the day shift only.

On the same job girls get the same money as men, all starting at \$100 a month.

—SALLY MACDOUGALL in *New York World-Telegram* 7/28/41

Personnel

Dismissal Compensation in a War Economy

THE defense boom has already created many special problems in the field of social security. The greatest of these arises from the tremendous amplitude in the probable swing from high employment and earnings to low employment and dependency. With production more and more channeled to meet defense needs, the demand for labor is mainly concentrated in particular industries and areas. Additional workers by the thousands are being drawn into centers where ships, airplanes, motors, munitions and other military equipment are being produced. Ghost towns are being revived and new towns created. When defense orders decline, a return tide in labor mobility must occur, unless many of these workers and their families are to be left stranded and become public charges. While the problems of stranded labor forces will be most apparent, it will be but a segment of the total problem of rapid labor displacement and growing dependency. It is none too early for government, industry, labor and social scientists to attack these probable consequences of the war effort.

The special characteristics of the defense cycle of economic instability include the need of government for huge funds to finance the very production which gives full employment. A large part of these funds must come from the savings of our people. Non-essential

consumption must be curtailed to permit saving and the diversion of purchasing power into ships, airplanes and tanks. *We cannot have "business as usual" and both guns and Buicks.* While such savings could be collected through existing types of taxes cutting deep into incomes at all levels, *for the wage earner* it seems best that such taxes be replaced in considerable part by some device giving him an *equity* in the sums he turns over to government during the boom to be used when his earnings fail.

The best implementation of the savings concept of social security in a war economy appears to lie in the use of a general program of contributory dismissal compensation. Under such a program, all employers and employees would be called upon to contribute by payroll deductions a stated percentage of wages during the defense effort. The sums so contributed would be deposited with the government to the account of the employee, to be withdrawn only after the defense program terminates except in certain exceptional contingencies. The rates of contribution by employer and employee might well be the same. When received by government, collections would be immediately invested in special defense bonds. Individual accounts showing the contributions credited to each worker would be set up by the same machinery, perhaps, as has proved so efficient in han-

ding earnings records under the old-age insurance program.

The question is bound to be asked: Why embark on a supplementary program of contributory dismissal compensation when it would be simpler, on the one hand, to improve the existing unemployment insurance system and, on the other, to encourage the voluntary purchase of small bonds by wage earners? The objections to dependence on these alternatives become increasingly convincing as the situation is studied in its entirety. They may be summarized as follows:

1. An improvement in the benefit schedules under unemployment insurance at this time, no matter how justifiable, is bound to increase the current expenditures of the system. A dismissal compensation system, aimed for the specific need of cushioning the post-defense relapse, would, on the other hand, conserve present funds for use in time of greatest need.

2. Dismissal compensation paid in lump sums would afford a much more effective stimulus to reverse mobility of labor after the shutdown of defense industries than periodic unemployment insurance benefits alone. Dismissal compensation could be used to finance moving expenses, the purchase of tools, equipment or merchandise to set up a small business, etc.

3. In the great majority of states,

unemployment insurance contributions are paid by employers alone. Under dismissal compensation, workers, as well, would be contributing both to the financing of the war and to their own protection thereafter.

4. The funds which will be needed to finance the defense effort will be so large that even the lowest levels of income, short of bare subsistence, will have to be tapped. Since we are not at war, the motivation to buy bonds rather than Buicks may not be so strong as it was in 1918. Because of eventual reimbursement, compulsory contributions under dismissal compensation would be far more acceptable than taxes taking a similar amount of earnings.

5. To avoid inflation, the government must obtain in some way a large part of the increment in earnings available to labor because of the defense boom. Contributory dismissal compensation will, at best, be but one of several ways to tap lower-income groups.

6. Dismissal compensation as a device for compensating layoffs due to technological and other change is by no means a novel experiment. Already some 500 American companies have used such payments, and many of these companies have adopted definite schedules.

BY J. DOUGLAS BROWN. From *Social Security in the United States: 1941* (American Association for Social Security, Inc., New York).

► THE MACHINE-TOOL industry, which provides the essential machines for turning out most mass-production articles, has increased production by 2,000 per cent over its depression low.

—Financial World 7/16/41

How One Company Solved the Week-End "Blackout"

BACK in August of 1939, the Timken Roller Bearing Company foresaw that huge amounts of Timken steel, tubing and bearings would be required as the defense program gained headway. Steps were taken at that time—nearly two years ago—to inaugurate a system that would enable the firm to keep its equipment running 168 hours a week (24 hours a day for seven days)—and thus eliminate week-end blackouts while still complying with the 40-hour workweek. Keeping step with the expansion of defense needs during this period, one department after another was put on this schedule.

In brief, this "anti-blackout schedule" calls for three eight-hour *shifts* per day up to 40 hours per week. By having four *crews* (instead of three) to handle these three *shifts*, it has been possible to rotate the working time for each *crew* so that it works 40 hours a week (the four crews thus keeping the equipment running 160 hours a week).

By an ingenious scheduling arrangement of shifts and crews, each crew works five extra shifts over each period of 20 weeks (for which overtime is paid). These five extra *shifts* for each of the four *crews* are all that is necessary to bring the "equipment workweek" up to the 168-hour total.

This schedule has been so worked out that every man works five days in a row and then is off at least 48 hours, after which he changes shifts. And over each period of 20 weeks, each man has five Sundays off. The shift schedule runs 20 weeks and then repeats without change.

—The N.A.M. News Letter 7/26/41

Formula for Factory Salaries

AS a rough check on the adequacy of factory salaries, one company in the equipment field has developed the following formula based on the relationship between supervisory salaries and the average wage rate of the employees supervised:

Assistant Foreman=20 per cent more than the average for his organization (approximately 40 men)

Foreman=35-40 per cent more than the average for his organization (7 or 8 assistant foremen and their men)

General Foreman=Double the average for his organization

Factory Division Superintendent=Five times the average for his organization

—From *Top-Management Organization and Control* (Stanford University Press, 1941)

AMA SPECIAL INDUSTRIAL RELATIONS CONFERENCE

A Special Industrial Relations Conference of the American Management Association will be held at the Hotel Benjamin Franklin in Philadelphia on Wednesday and Thursday, October 1 and 2.

Production Management

Job Order Rate Setting

CUSTOM and special order manufacturers (shipbuilders, instrument makers, tool manufacturers, and the like) have long desired some equitable means of wage payment similar to the rate setting used by repetitive manufacturing industries. When a worker is paid on a day or hourly basis, there may be little correlation between his performance and wage cost.

Consequently, attention is turning to a type of rate setting applicable to special order and custom work which rewards skill and effort as well as increases worker output. Its singular characteristic is that the rate is not expressed as a money value (piece rate) but as a maximum time allowance upon which management hopes the worker will improve. A wage premium is paid for time saved, and each worker's pay thus more nearly reflects his performance.

Such a labor incentive system is particularly significant when much defense production is of a custom or job order nature and must be turned out with ever-greater speed without increasing equipment. The steps in the setup are as follows:

1. *Analysis of the Job to Be Done.* This entails close examination of blueprints, scrutiny of records of similar or related work previously performed, close investigation of where the work will be done, and consultations with

both the workmen qualified to do the task and their supervisors.

2. *Calculation of a Time for Doing the Job.* A composite of opinions and judgments arrived at in Step 1 is used to estimate the best working time for performance of the task by an average man. To this should be added in most instances an allowance to provide for unforeseen difficulties in accomplishment. (In the shipbuilding industry this is as high as 50 per cent of the total base time calculated.)

3. *Contract for Job Performance.* This is a statement to the worker of the calculated time for which management is willing to pay to do the work.

4. *Assignment of the Work Contract.* In assigning contracts, little attention is paid to the class of workman or his pay bracket. Each worker, union or non-union, will receive his or her regular hourly rate of pay and whatever bonus is earned, regardless of the kind of contract undertaken. Management wants to pay only for the skill and speed received. Under the contract system, the more skilled workers will receive higher earnings—i.e., complete the task in less time, receive larger bonuses, and in turn have more free working time to take on new work contracts. The net result is a speedup of production with no increase in unit costs.

5. *Completion of the Work Contract.* A time slip is completed when

the work is done which shows the time allowed and the time actually required to do the job. This becomes a basis for figuring the worker's pay. (Duplicate copies become part of the cost record and part of the estimate file for making future contract calculations.)

6. *Payment of the Bonus.* A bonus is paid amounting to a percentage of the time saved. If figured on a 50 per cent basis, the worker will receive his regular rate of pay for the time he works and a bonus amounting to one-half the regular pay for the time saved—i.e., $\text{hourly rate} \times \text{hours spent on a task} + \text{one-half the hourly rate} \times \text{time saved}$. The balance of the time saved, amounting to 50 per cent in this case, is a bonus to management.

For both labor and management, the advantages of custom job rate setting are many. Labor should welcome the elimination of pay inequalities which always exist where hourly or day wages are paid regardless of output; it should appreciate, too, the opportunity for increased earnings.

Experience proves that management obtains greater production with less supervision and pays only for the skill and effort expended in its behalf. Moreover, it acquires a file of valuable information useful in keeping more accurate cost records of work in process, as well as estimating costs to make bids for additional orders. By ASA S. KNOWLES. *Supervision*, June, 1941, p. 13:1.

Living at Work

DIRTY toilets cause more strikes than low wages! Experience has taught that adequate wash-rooms, locker rooms, cafeterias, parking lots, recreational facilities—the devices that make factory life a bit more pleasant—are paying dividends in improved employee morale, increased efficiency, and lessened likelihood of labor troubles.

Today, with old plants expanding and new plants springing up in nearly every community, many new problems are arising in the construction and maintenance of "living at work" facilities and equipment.

Planning for an industrial building today requires at the start a considera-

tion of transportation and parking problems. The transportation problem has been heightened in recent years by the curtailment of street-car service and by the trend toward building industrial plants at the outskirts of cities. Toledo Scale Co. spent \$22,000 on a parking area for its employees, and has built one cooperative garage and is erecting another. Grumman Aircraft Engineering Corp.'s Bethpage, N. Y., plant includes a parking area with space for 2,000 cars. In other major defense plants, provisions are generally being made for parking space on the basis of one automobile for 1½ employees.

In modern multiple-unit plants, the

location of locker facilities must be determined chiefly by employee traffic routes within the plant. In the older, long-established plants, many managements have sought to maintain one locker—steel with mesh or slotted sheet-metal doors to provide ventilation—for each employee. In the new defense plants, however, lockers are giving way to hangers, generally installed immediately adjacent to work places. Hangers are less expensive, of course, and, in some types of industry where employees need not change their clothes, are perfectly adequate.

Washroom facilities should be designed to accommodate the maximum of employees in a minimum time at shift changes and lunch periods. Plant washrooms should be situated next to work areas, and the floor space allotted for such facilities (including locker and shower room) under sound engineering practice should be figured on the basis of 10 square feet for each employee on a shift.

Central washrooms are desirable if feasible. But if the work in different departments of a plant varies, or if different occupational or racial groups are employed, separate washrooms are preferred.

Showers are not always necessary in industrial plants. In light manufacturing, for example, employees just don't bother to use them, despite management urging. But in the heavy industries and in departments in which work is dirty, showers become a "must."

Feeding factory employees is becoming an increasingly complex problem

in the new defense industries. Defense needs are forcing management to curtail lunch periods to an absolute minimum.

The best feeding accommodations, of course, are provided in those plants where modern cafeterias are operated at low cost and where production methods allow virtually a complete shutdown of operations for the lunch period.

Ford Motor Company was one of the earliest employers to solve the problem of mass feeding of men by carrying food to them. At River Rouge, long trains of food conveyors—not unlike automobile tourist trailers—are wheeled through the vast plant at mealtimes, and box lunches, sandwiches, coffee, milk and soft drinks are sold by concessionaires.

A further refinement of this method is represented in the mobile cafeteria and canteen units now finding increasing use in large plants.

In a West Coast airplane factory now building it is estimated that 12,000 men and women will be employed. The plant is located in a prairie, far from existing restaurants. Because an investment in permanent cafeteria facilities was regarded as excessive, an installation of mobile cafeterias and canteen units has been planned for this plant. Packed with food prepared in a single central kitchen, the mobile units will be rushed to eight outdoor eating areas and parked for the brief lunch period. By this method it is believed that the lunch period can be cut from 30 to 20 minutes without impair-

ing the service and without undue hardship to employees.

Haggard and Greenberg, of Yale, found a direct relationship between industrial efficiency and fatigue and employee eating habits. In a large rubber footwear plant, it was established that the least efficient employees were those who had no breakfast before going to work and ate only lunch and supper. The most efficient workers were those who had breakfast, lunch, supper—and two between-meal feedings.

Between-meal feedings are provided in many industrial plants by various vending machines. Neat, trim mechanical vendors for snacks are becoming almost universal. In many plants milk is being sold from vending devices, as well as soft drinks, chewing gum, sandwiches and cigarettes. In most instances, machines are installed with a low rent charge to management, local dairies, bottlers or distributors of vended products servicing the machines.

Recreational and social facilities

have been built into many plants in the last few years, with varying success. Such facilities — gymnasiums, swimming pools, bowling alleys, libraries, auditoriums, tennis courts, athletic fields—represent diverse degrees of employer paternalism. Unions freely admit that these devices have frequently been powerful deterrents to union organization (and labor trouble); managements find that they do not constitute absolute insurance against organization and strikes, that frequently employee reaction to extreme paternalism is "If they can spend that much on bowling alleys, why can't I get bowling alley money in my pay envelope?"

The sheer necessities of emergency defense production, however, will tend to curtail seriously the inclusion of elaborate social and recreational facilities in plant construction for the present. If there is any great rise in corporate profits, the long-term gain in improved employer-employee relations may justify further investments in such facilities just as in the 20's. *Modern Industry*, July 15, 1941, p. 14:6.

Subcontracting: A Problem in Management

SUCCESSFUL subcontracting in these urgent days is not merely a matter of ordering parts and putting them together, but a problem in expert management. And surely if all American industry is going to be integrated into the maximum defense effort, subcontracting must be tackled successfully on a wide scale.

—From "Mr. Jones Goes in for Guns" (*Fortune* 7/41)

Colored Safety Helmets Identify Workers

THE Todd Seattle Dry Docks, Inc., of Seattle and Tacoma, Washington, has adopted a clever system of color differentiation among its plant employees. Under the plan, each class of workman has a different-colored safety helmet which identifies him as to his craft.

The eleven colors and crafts they denote are: carpenters, blue; painters, brown; burners, light green; laborers, red lead; machinists, buff; safety men, red; riggers, aluminum; shipfitters, dark green; pipefitters, gray; electricians, cream; and scalers, black.

The theory behind the color scheme is that a crew boss, in need of additional help, can select the men he needs instantly by noting their helmets. Such ready selection is particularly valuable in an emergency.

Some helmets, in addition, carry painted red crosses, signifying the wearer as capable of giving first aid in case of accident.

Color segregation is used by another Seattle manufacturer, the Kirsten Pipe Company, to expedite movement of work. Smokers' pipes put out by this company are routed through the plant in containers painted different colors to denote the different models. Use of the identifying containers enables the foreman to determine whether all stations are working on the same model in the various operations of machining, routing, shaping, etc., without need of a close-up inspection of the parts.

—American Business 6/41

Distribution of Defense Orders

THE distribution of Army and Navy orders has tended to follow rather than to deviate from the previously existing pattern of industrial activity. Specifically, figures released by the OPM show that up through June 30, 1941, War and Navy orders have followed labor, with few exceptions. The figures follow:

New England, with 12.1% of the total manufacturing workers, has received 12.9% by dollar value of military contracts; the Middle Atlantic States, with 28.6% of workers, have 27.3% of orders; the East Northern Central States, with 27.8% of workers, have 18.4% of all military orders (but 27.2% of War Department orders alone); the West North Central States, with 4.8% of total workers, have 5% of total orders; the South Atlantic States, with 12.6% of workers have 11.3% of orders; the East South Central States have 4.6% of workers and 3.5% of orders; West South Central States have 3.4% of workers and 5.4% of orders; Mountain States have 0.7% of workers and 1.2% of orders; and the Pacific States have 5.4% of workers and 15% of orders.

In the distribution of War and Navy contracts for new facilities, however, there are sharper contrasts. In part, new facility locations have been determined by strategic factors, which were decided by military authorities, and in part by economic considerations. OPM figures show that new facilities contracts have been placed much more definitely away from highly industrialized areas.

Thus, New England, with 12.1% of manufacturing workers, has received 6.7% of new facilities; the Middle Atlantic States, with 28.6% of workers, have 19.1% of new facilities. A reversal is found in the East North Central States, which with 27.8% of workers have 32.8% of new facilities. The general tendency toward decentralization appears, however, in the West North Central States, with 4.8% of workers and 8.2% of facilities. In the East South Central States, there are 4.6% of total workers but 8.5% of facilities.

—National Defense (National Association of Manufacturers) 7/26/41

Marketing Management

External House Organs

AMONG 329 house organs included in a nation-wide survey by *Industrial Marketing*, 192 are classified as external publications—i.e., directed wholly, or at least primarily, to persons who represent customers and sales prospects other than dealers, distributors, etc.

The importance of external house organs as part of the sales and promotional effort is indicated by a classification of comments on this point in the following divisions by percentages: all-important, 34 per cent; very important, 40 per cent; important, 14 per cent. Less than 12 per cent hold them of indirect or secondary importance in their promotional programs.

How successful do publishers of external house organs believe they have been? Replies on this point indicate that 20 per cent have been outstanding successes; 51 per cent, very good; 24 per cent, good; and less than 6 per cent, only fair.

What are the reasons for the success of external house organs? The answers are as varied as those dealing with the purposes of these papers. If their success is directly linked to their most popular features, this is quite interesting, because these run the gamut from a recipe page in the house publication of a manufacturer of electrical control devices, to a monthly short fiction story in the publication of an automotive parts manufacturer. Practi-

cal, useful, business-slanted material, however, leads in popularity.

According to this survey, the external house organ has come into favor during the last 20 years; in fact, 88 per cent of them are under 20 years old. (One has been published for 74 years—*The Locomotive*, by Hartford Steam Boiler Inspection and Insurance Company.) The growing popularity of the external house organ during the last two decades is doubtless due to the increasing use of various types of sales promotional material to supplement publication advertising.

Once a month is the most popular frequency with which external house organs are issued, this being true of nearly 36 per cent of the publications in this study. Twenty-five per cent are issued bi-monthly, while 23 per cent are published on a quarterly basis.

Practically all external house organs are mailed in envelopes; only 13 out of the 192 in this survey are self-mailers. About 45 per cent of those using envelopes print something besides the corner card on them to create interest in the contents. Practically all include a return-postage guarantee.

In less than 50 per cent of the cases are external house organs sent to stockholders as a regular practice. Some are sent quarterly at dividend time, others when there are special issues.

The circulations of external house organs range from 250 copies to 160,-

000 copies per issue—the number, of course, being determined by the size of the market to be covered and the selectivity used in compiling the mailing list. The mean of the circulations of all these house organs is around 15,000 copies.

About 26 per cent of the publications consist of eight pages per issue, and another 25 per cent average four pages; 12 per cent have 12 pages; 10 per cent, 16 pages. The most popular size is 8½ by 11 inches, 47 per cent of all being trimmed to those dimensions.

External house organs are usually the responsibility of the advertising department, and the advertising manager or one of his immediate assistants is the editor. By department classifications the responsibility is assigned as follows: advertising, 65 per cent; sales promotion, 8 per cent; sales, 8 per cent; advertising agency, nearly 8 per cent; publicity, 5 per cent; executive, 3 per cent; combination of advertising and sales, 3 per cent.

The editorial material appearing in external house publications which is not written by the editor comes from a variety of sources, including custom-

ers and advertising department; staff members; sales engineers and customers' plant engineers; executives; freelance writers; paid correspondents; manufacturers or institutions using advertiser's equipment; engineering department; employee reporters; various specialists on subjects; salesmen; dealers' salesmen; magazine reprints; prominent men in industry; syndicate articles; guest editorials by national figures.

Seventy-eight per cent of the external house organs in this survey are printed by letterpress; 19 per cent are produced by lithography; five publications are done by a combination of these processes. Rotogravure is used for six publications, while one other employs a combination of gravure and letterpress. Two are produced on a mimeograph machine.

Non-competitive advertising is sold in only 4 per cent of the external house organs in this survey. Three publications give advertising space to their good customers. In practically all cases where advertising is sold, the revenue pays a good share or all of the publishing costs. *Industrial Marketing*, July, 1941.

Hiring Code

IN an effort to combat "labor piracy," the Akron (Ohio) Chamber of Commerce has drawn up a three-point Defense Hiring Code, which is already being followed by a group of employers who, together, employ 90 per cent of the city's wage earners. The three points: (1) Employees of other companies shall not be solicited to change to new positions. (2) Every effort shall be made to find out if applicants for positions are employed elsewhere. (3) When an employee leaves one company for another, one week's notice must be given original employer unless exception is made with consent of both.

—*Forbes* 8/1/41

If You're in a Sellers' Market

DESPITE all that we read and hear about a sellers' market, the phrase when measured against all American business turns out to be applicable only to a relatively small percentage of industry. But to those of our readers whose problem is more that of making deliveries than making sales, we offer these suggestions on how to hold the sales force together and keep the men from becoming stale or rusty, or drifting into some other industry or line of work.

The problem of how to keep the sales force together and usefully employed can be broken down into two methods of approach: first, that of cutting down field work; and second, that of increasing field work.

A. Cutting Down on Field Work

1. Eliminate marginal dealers and marginal territory.

2. Keep territories intact but shorten the duration of regular trips.

3. Make regular trips—but make them less frequently.

4. Bring salesmen into the factory—so as to benefit from their productive capacity and to give them understanding of production methods.

5. Bring them in the sales office—and have them do sales-analysis jobs which you haven't had time or personnel to do before.

6. Use them as scouts to discover new sources of scarce raw or semi-fin-

ished materials needed in the factories.

7. Use them as scouts to recruit additions to factory labor staffs.

B. Increasing Field Work

1. Have men spend more time on resale work in stores, training dealers and clerks.

2. Have them put up more advertising material, especially signs of a permanent nature, so that point-of-sale advertising will keep your name before the public when the merchandise itself may be scarce or the shelves absolutely bare.

3. Have them work more closely with wholesalers' salesmen, training them, cultivating their friendship.

4. Have them make more scouting trips to evaluate potential dealers—or territories not hitherto developed.

5. Assign them such tasks as tracing down the wholesale trade. This information on the actual point-of-sale of your merchandise can be used to improve the efficiency of sales and advertising when a buyer's market returns.

6. If you are planning new products, use the salesmen to make surveys of dealer and/or wholesaler views with respect to possible demand, packaging, pricing and the like.

7. Use the salesmen to sound consumer attitudes toward proposed new products.

We should all profit by the experiences of the first World War. Many organizations effected "savings" which

turned out to be exceedingly costly. They stopped advertising and they let their sales force disintegrate, either through firing or by failure to keep

their men usefully employed, with the result that they became "soft." By PHILIP SALISBURY. *Sales Management*, July 15, 1941, p. 16:1.



"Listen, Bottleneck!—How long before I can get in to see your Sales Manager?"

—Courtesy of *Purchasing*

Financial Management

Pension Trusts and Group Pensions

A WELL-BALANCED pension plan should achieve two major objectives:

1. It should discharge the social obligations involved by providing a measure of old-age security for employees whose earnings are insufficient to allow them to save enough to provide for their retirement. It should remove the spectre of penniless old age.

2. It should benefit the employer through increased efficiency and improved morale, which will result from facilitating prompt retirement of superannuated employees, thus removing "deadwood" and making room for profitable and desired promotions.

Because the Social Security Act treats the employees who are most valuable much less liberally than the younger and lower-paid employees, it fails in the second objective. Therefore, farseeing employers are supplementing the Social Security Act with private pension plans which together achieve both objectives by providing reasonable pensions for all.

Seldom do we find two pension plans exactly alike, for the reason that the provisions included must be suited to the needs of the particular concern. For example, one company will prefer to base the amount of each employee's pension on a certain percentage of the annual salary, such as 2 per cent, multiplied by the number of years of service. Another company will prefer to

perpetuate after retirement a flat percentage, such as 30 per cent of the employee's salary. Still another company may desire to commence pensions at an earlier age than 65.

Among the factors to be taken into consideration in arriving at a proper plan in any specific case are: present salary levels and groups; age distribution; the present or prospective superannuation problem; the age of the concern and amount of past service rendered; the types of employees; whether the employees should contribute, and if so, on what basis; the income-tax status of the employer, and the requirement of reasonableness in order to obtain full income-tax credit; and the funds available for pension purposes.

The first step, therefore, is to survey all the relevant factors and recommend a definite plan for consideration.

An insured pension plan may use one of two vehicles—a group pension contract, or individual annuity contract together with a trust.

The group plan is probably the most economical per dollar of retirement income purchased, and is to be preferred where its limitations as to terms do not encroach upon desired provisions. Furthermore, a trust need not be set up in order that the employer obtain income-tax credit for premiums paid. However, it is generally not available where

the number of lives actively included in the plan is less than 50.

The individual contracts plan requires the establishment of a pension trust in order to assure proper income-tax credit, but it is susceptible to great flexibility and is available to all concerns regardless of size. The trustee may be corporate, such as a trust company, or individual, such as certain officers and employees of the employer.

A choice between these basic types depends upon all the factors involved in the particular case. Whether the group plan or the pension trust plan is selected, if it is reasonable in its pension provisions the following income-tax advantages are to be gained by the sweeping exemptions the government has set up to encourage the creation of pension plans:

1. The premiums paid for a group pension contract, or the contributions made by the employer to the pension trust, are deductible as normal business expense for the year in which paid, and

consequently no income tax is paid thereon.

2. The employees do not report as income the amount paid as group pension premiums or the employer's contributions to the pension trust. When they receive pensions, they then report such payments as income, but any contributions they themselves have made to the plan are tax-free.

3. If the trust plan is used, the trust itself pays no tax—in fact, it need not even file a return, being a non-taxable entity under the income-tax law.

Caution must be exercised in the provisions for payments to the employees in order that they may not be deemed to have constructively received the lump value of their pensions at retirement, with the consequent disastrous income-tax effects to them at that time. Competent counsel and advice, however, will avoid these pitfalls and assure maximum tax benefits. BY SAM T. GREENE. *The Eastern Underwriter*, July 11, 1941, p. 8:1.

The Corporate Board of Directors

PUBLIC attention is increasingly being drawn to the make-up of corporate directorates, the nature of their functions, and the degree to which these functions are being satisfactorily performed.

Outstanding instances where boards of directors have failed to discover dishonesty, or have failed to check improvident and grandiose enterprises of officers or to extirpate dry

rot, obscure the increasingly high level of character and intelligence in corporate management. While in a measure it is such rare instances that have led to the insistent questioning as to the make-up and functioning of corporate boards, the difficulties inherent in the tasks of such boards fully warrant consideration of the matter.

In some ways the problem of the members of a board composed of men

giving their full time to the actual operation of the company is an easier one. They have intimate knowledge of its daily affairs. The management of such a board, on the other hand, may become ingrown. As members of the board, they pass on their own fitness to be reelected officers—certainly if the management is wholly divorced from the scrutinizing influence of any large stockholding interest.

The more prevalent practice of seeking the presence on the board of at least some and usually a preponderant number of directors not engaged in the company's operations has the potential advantage of bringing to its affairs outside viewpoints and a variety of business experience.

In some instances it has been found desirable to compensate one or more directors in order to secure more extensive services than can reasonably be expected from the non-management type of director. In these cases, the authority for the designation of a director who is compensated for added advisory services appropriately comes from the board itself rather than from the management. Too much must not be expected from this plan. Compensation alone cannot be expected to insure the sense of obligation that lies at the basis of the proper performance of a director's duties and the requisite attention for fulfilling them. Compensation alone can scarcely be expected to offset the risk of enormous liability that directors must frequently face in connection with the performance of their duties.

An increasing number of boards of

directors in finance and industry, in fulfilling their responsibilities and opportunities, use an active executive committee or appropriate special committees, composed of non-management directors, or preferably of directors of both the executive and non-management types, to give continuing attention to important policy matters, such as:

1. Re-examination, at stated intervals, of the corporation's activities in the light of the board's policies and with a view to recommending any desirable policy changes.

2. Supervision over finances and investments.

3. Selection of independent auditors for recommendation to the board.

4. Appraisal of results being obtained by operating officers in various company activities.

5. Industrial relations. (It is sometimes the practice to have the board or a special committee exchange views, upon occasion, with the company official who has charge of the particular department.)

6. The company's relations with government—with a view to furthering voluntary cooperation with governmental departments and agencies in the public interest.

7. Broader utilization of economic analyses of company and industry interrelationships, including costs, fair profits, prices and taxes.

Except for the independent audit, the president or chairman of the board of a corporation is normally charged with primary responsibility within

these areas of activity. But it is precisely in these broader issues that the point of view of non-management or outside directors is particularly valuable.

The suggestion has been made that government representatives be included on corporate boards. However, it is impossible to believe that the members of a board of directors upon which there was a government director would feel the same freedom in exercising judgment in matters that came before the board that would be true without such government directors. Protection of the industries, their stockholders, labor and the public at large requires such freedom of judgment beyond everything else.

Again, conflict of interest might arise in connection with the many new statutes involving the regulation of corporations in different fields of activity. Broadly speaking, government officials feel that wherever any question exists, it is their duty to resolve all doubts in favor of the government, until compelled to do otherwise by the courts.

One proposal advanced in this connection is for the acquisition of stock by the government in certain types of corporations and the election of government nominees to the board to represent this stock. From the standpoint of the public, there seems nothing to recommend such an investment by the government unless it is the bargain-counter motive in time of depression. Here again we get a confusion of interest and of function. From the standpoint of the stockholders, it might tend to ameliorate adverse eco-

nomic attitudes by the government toward such a company so as to enable it to make a showing on its investment. On principle it seems extremely unsound.

Never in the history of the country has there been a time when boards were confronted with problems so difficult to decide as they are today.

Boards of directors, so far as possible, must try to foresee and to provide against raw-material and shipping shortages which might result in the curtailment or destruction of the business.

In collaboration with government authorities, they must consider programs for price control—for the reduction of output in many lines—for the apportionment or transfer from industry to industry of the limited supply of skilled labor.

They must consider how far they can go in expanding their facilities, and the extent to which they can properly accept government contracts even though this means the giving up of normal trade outlets.

Companies which have government contracts must consider whether by entering into subcontracts with smaller companies they may speed deliveries and facilitate the utilization of all the country's sources of production. This may involve not only responsibility for work of others, but also the relinquishment of trade secrets and of "know how"—which are among the most valuable assets of a company. BY GEORGE A. SLOAN. *The Conference Board Economic Record*, July 24, 1941, p. 319:6.

Enforcing the Wage-Hour Law

INSPECTIONS by the Wage and Hour Division to enforce the Fair Labor Standards Act are currently running at 30 times the rate of two years ago. At that time inspections by the Division averaged around 150 to 200 a month. A year ago approximately 2,000 inspections were being made monthly. Today the Division is doing better than 5,000 a month, and in May the number rose above 6,000. Since the first of the year, restitution to employees of unpaid minimum wages and overtime has been obtained at the rate of more than a million dollars a month.

The number of cases taken to court is approaching 2,000; almost all have been won by the Division. Defendants in the criminal cases generally have pleaded guilty and paid stiff fines.

In the nine months beginning last July 1, when systematic inspections were conducted in a dozen or more nation-wide industries, it was found that just as many violations existed in plants from which complaints had not come as in plants whose employees had complained. Accordingly, to make sure that every one of some 15 million workers entitled to the benefits of the law actually receive them, the Division plans to inspect virtually all the 300,000 establishments in which they are employed.

—*Wage and Hour Reporter* 7/21/41

What's the Price?

EVERY article has its price, but how do you like the news broken? Do you prefer a price tag in plain sight, or carefully hidden until you are convinced that, price or not, you must have it? Do you say, "I like it, but how much is it?" or, "I'll take it, what's the price?" Are you convinced that \$3.98 is very much less than \$4.00? A *Sales Management* survey uncovered a lot of interesting things about the customer and the price tag.

Most shoppers, women particularly, don't like the surprise element; they want to see the price ticket at once. Seventy-five per cent of those interviewed prefer store window displays with price tags for each item; only 12 per cent like to gaze in the shop windows without any thought of that sordid thing, money. Nearly 80 per cent like prices marked on counter and display case merchandise; 90 per cent like to have prices included in magazine and newspaper advertisements and on billboards; and 64 per cent even want them included in radio advertising.

Some merchants think that the price tag is not a bait, that a good display will lure a prospect into the store to make further inquiries. Forty-two per cent of the people interviewed admitted that occasionally they see an unpriced article in the window and go in to ask about it; 38 per cent never get that far. Fifty-three per cent ask for prices of merchandise in display cases, and 41 per cent find that usually the price is higher than they expected. But it's the combination of a plainly-marked reasonable price and an attractive article that makes 46 per cent of the impulse purchases.

If you make a mass-market product, show the price clearly in both displays and advertising; with quality goods of higher-than-average price, it's a slightly different story. One school of thought holds that the features should be explained by a good salesman, and when the customer appears to like the product, spring the price on him. If, however, you haven't an adequate sales staff or some of the clerks are indifferent, put on the price ticket, for otherwise the shopper will become impatient and move on.

As for those odd prices, stick to them: 46 per cent of shoppers pay out \$5.95 when they might balk at \$6.00. It may be some little quirk in the human mind, or perhaps the retail-store advertisements have trained the average shopper that way.

—*Canadian Business* 7/41

Insurance

Precautions Against Sabotage

ARSON coupled with explosion is one of the most effective methods of destructive sabotage. Every precaution should be taken against the secreting of incendiary or explosive bombs at vital points; throwing them into premises; deliberate setting of delayed fires; substitution of highly flammable materials or liquids in or about industrial plants. To insure that fire or explosion may be more destructive, the saboteur may try to hinder or lessen the effectiveness of fire-fighting facilities.

Here is a check list of precautions which every plant can take:

1. Carefully guard and periodically inspect all stand-pipes, hose and extinguishing equipment, including portable and built-in extinguishers, and sprinkler systems and valves.
2. Be vigilant in preventing interference with private alarms and watchman systems.
3. Know all you can about your employees. Check carefully the country of birth, racial origin, and war sympathies of all employees and applicants; pay attention to habits and associates of all key workers.
4. Examine carefully all incoming shipments, and all packages and containers, including lunch boxes.
5. Utilize an effective system of plant police and guards, allowing no unauthorized persons to enter the premises.
6. Select your plant watchmen from men who are alert, vigorous, and in fine physical shape. It is a serious error in these times to allow superannuated employees to be entrusted with the job.
7. Be sure your plant has adequate fire-fighting equipment.
8. Train key employees in proper use of this equipment.

BY JOSEPH F. GILLECE. *The National Underwriter*, July 17, 1941, p. 6:1.

Comprehensive Insurance Protection

FROM the standpoint of the insurance buyer, there is no adequate comprehensive insurance for his present-day needs. It is true that there are insurances available to a buyer which are in a sense comprehensive, but each of them is limited in its application to a particular field of insurance.

To an individual in business or to a corporation, a truly comprehensive policy should afford insurance against economic loss (a) because of liability to others, including employees, (b) because of injury to or destruction of owned property, (c) because of employees' dishonesty, (d) because of

failure to complete contractual obligations, (e) because of loss of profits due to interruption of business—in fact, against loss from any event the occurrence of which is not certain and which can be measured.

This is not to say that the recent trend toward putting more and broader coverages into a single policy, whether or not it is labeled “comprehensive,” is not desirable. It is a step in the right direction, and it does tend to facilitate the buying of insurance; but it is at best a palliative.

For instance, a workmen's compensation and employers' liability policy completely answers the need of the average manufacturer, but only in the limited field of specific liability imposed upon him by particular statutes. It makes no attempt to, nor was it designed to, protect him against other liability imposed upon him by law, or protect him from loss by fire or from any other economic loss. It is confined solely to the employer-employee relationship.

Another example of a partial solution is the so-called combination automobile policy. It is possible, with two insurers issuing this policy, to protect the buyer against (a) economic loss from liability imposed upon him by law for damages caused by accident arising out of the ownership, maintenance or use of the automobile; (b) economic loss caused by injury to or destruction of the automobile itself; or (c) economic loss caused by injury to or death of the insured himself while driving or riding in the automobile. This is an approach of sorts, but it ignores all

liability imposed by law upon the buyer except that arising out of his automobile, and it ignores injury to or destruction of any property of the buyer except the automobile. Also, of course, it requires two insurers instead of one, and contains so much verbiage that the mechanics of printing the policy present a real problem—to the insurers.

There is, moreover, a vital defect in that part of this coverage which relates to injury to or destruction of the automobile itself—the automobile comprehensive physical damage portion. Insurance is provided under this coverage for all loss of or damage to the automobile from any cause except collision or upset.

This defect is that we give the buyer something he does not need and something which should not be insured at all—coverage for losses of a dollar or two which impose no real burden on the insured and which cost the companies far too much in claim expense in relation to the actual losses. This coverage should be written on a deductible basis.

More instances could be given of attempts to furnish a limited comprehensive coverage—such as reporting fire covers, certain types of fidelity and surety bonds, and some kinds of inland marine floater or all-risk policies. Even the comparatively simple plate glass policy has, within its narrow field, aspects of a comprehensive policy.

The most recent step is the comprehensive liability policy. This also is an attempt to write a complete policy—complete, that is, within a particular field: the field of liability. However,

this policy, although broader than many of the other policies referred to, is limited, not only as to those hazards for which coverage is specifically denied in the exclusions, but also in the insuring agreement itself. It does not insure against all liability—it insures only against liability imposed by law. This last statement is not literally true, since the policy does cover specific types of assumed liability—warranties of goods or products, and certain written contractual obligations, such as leases and elevator maintenance contracts—but the greater part of the insurance afforded is with respect to liability imposed by law.

The liability imposed by law is further restricted. It is limited to liability for damages, including damages for care and loss of services, because of bodily injury, sickness or disease, including death at any time resulting

therefrom, or because of injury to or destruction of property, as the case may be. And, in turn, damages are restricted to those caused by accident.

It is interesting to conjecture what the result would be if any of these limitations were to be modified. Already policies are being offered with the insurance not limited to a caused-by-accident basis. This, of course, broadens the coverage to include disease and sickness not occurring as a result of an accident.

At the present time, the needs of the insurance buyer are being partially met. But comprehensive insurance is still in the experimental stage. Until the laws of the various states permit a single insurer to provide in one policy all the insurance needed by a buyer, the problem will remain unsolved. By JOHN L. TRAIN. *Northwest Insurance*, May, 1941, p. 22:2.

Picture of the Typical Sales Force

THE average traveling sales force consists of 42 individuals, according to a study of 739 manufacturers, distributors and other firms with traveling men. About 88% of these men travel by automobile, 21.4% by train, and 4.8% by airplane (some use more than one mode of travel). On the average, they spend 10 nights away from their families each month; indeed, exactly 50% of them sleep more than half the month away from home.

Flat expense allowances are given 42.9% of these traveling salesmen. Semi-monthly expense sheets are used by 9.4%, weekly expense sheets by the same percentage, and expense sheets with vouchers by 7.1%. Coupons, paid weekly, are employed in 11.9% of the cases. No expenses are allowed 9.4% of the salesmen, and advances are deducted from the salaries of 4.8%.

Do sales managers think that "swindle sheets" actually swindle? Such chiseling is "unimportant," declare 56.5%; "nominal," believe 34.8%; "considerable," 8.7%.

—*Sales Management* 7/15/41

The Management Question Box

Questions and Answers on Management Practice Based on the Inquiries Received by the AMA Research and Information Bureau.

Individual replies are made promptly either by mail or telephone to inquiries received by the Research and Information Bureau. This service is available to executives of concerns holding company memberships. The questions cited here are those which it is believed are of general interest to the membership.

The Problem of Payroll Deductions

Question: Are your member companies experiencing difficulty in connection with the multiplicity of payroll deductions for employee benefit programs? Should limits be set on such deductions? What about purchases of Defense Bonds?

Answer: Payroll deductions have long presented a serious problem in the coal industry and in connection with company services such as housing and stores, but a new array of problems on this score has arisen in many concerns formerly free from such difficulties. Compulsory deductions for government insurance have popularized the idea of employee contributions to company benefit plans, and there has been a rapid increase in the number and scope of such plans.

As a result of inquiries on the subject, the American Management Association recently questioned a small group of prominent personnel directors as to the practices of their companies and their own attitudes on the matter. Replies were received from 18 companies—11 in manufacturing industries, five in merchandising, one financial house, and one insurance company. All the respondents represent large, well-known and well-managed organizations.

Of these 18 companies, one makes only the compulsory Social Security deductions. However, this concern is considering the possibility of adding retirement and group insurance. Another has only Social Security and group insurance. Among the other companies the number of deductions varies from four regular deductions plus occasional items up to 30 or more. While in several cases the list of deductions has been carefully revised and the number of items reduced, the number in these instances is still high.

Of the 18 respondents, 11 consider the matter of deductions a serious problem, four feel that it must be carefully watched but can be kept under

control, and three have resolved the difficulty by restricting the number of deductions and the percentage of employees' earnings that can be so deducted.

Those who regard the problem as acute point out numerous difficulties both from the personnel and operating viewpoints. One personnel director sums these up as follows:

Yes, deductions are a problem in our company. At present we make them for Social Security, group insurance, restaurant ticket books, credit union savings-and-loan repayments, and repayments of our occasional loans made direct to employees by the company.

Two things trouble us about them. First is the fact that, to our management, deductions seem to be paternalistic—they represent the company's handling of the employee's business for him, and we don't like that. Second, they mean a tremendous amount of work in our payroll departments.

Confusing thing about the problem is that, whereas management wants to see its workers receive as large a check as possible, and wants them to handle their own affairs, a majority of our people definitely seem to like deductions. When, at the employees' request two years ago, we assisted in the establishment of credit unions in most of our factories, we stated definitely at the outset that there would be no deductions for savings-and-loan repayments. We said that workers should act as they would with a bank, handling all transactions in cash. That seemed to us the proper thing to do.

But there was a veritable cry for deductions from both hourly and salaried people. In some plants they even formed committees to ask the factory manager for deductions. Finally we made deductions available.

Now it seems almost a certainty that many companies will initiate the use of deductions for defense-bond buying, so the whole thing seems to boil down to this: We don't like the idea of deductions, or the work involved in making them, yet they seem to mount. Where do we go from here?

Another director, while recognizing the personnel difficulties, emphasizes the problems of the payroll department. He says:

You have certainly put your finger on a very real operating problem for the average industrial payroll department. The question of payroll deductions has been a difficult one with us for some years. About a year and a half or two years ago, we instituted a Control Committee consisting of the treasurer of the company, the controller and the personnel manager. It is the duty of this Committee to approve all requests for additional deductions before the payroll department is permitted to make them. The Committee was forced into being because we had reached the limit of our mechanical equipment. Deductions for approximately 40 different items were being made. We were able to reduce this figure to 28, which are currently being made. The number of deductions made each month, even on this reduced basis, exceeds 100,000.

I am sending you a copy of our payroll check. From it you will see that we can show specifically deductions for what we consider to be the nine most important items. Unfortunately, the difference between this number and the total 28 has to be lumped and shown under "miscellaneous."

Other executives comment as follows: "It is an important, acute and constantly recurring problem" . . . "It is a headache in spite of all our attempts to keep it at a minimum" . . . "It seems we add a new deduction every year. I am not in favor of this method, but there seems to be no other means of making these benefit plans work."

All the respondents agree that deductions must be carefully watched and

the total number limited, and a restriction also placed on the percentage that they constitute of wages and salaries.

The problem of deductions will undoubtedly become more acute at this time because of the desire of many companies to sell Defense Bonds to their employees on a payroll-deduction basis. A number of the concerns writing us on this question are weighing the matter, but in many cases it will be necessary to review the entire situation and eliminate some of the current deductions in order to include this new item. In several cases, however, the sale of Defense Bonds will be handled by credit unions, and thus it will be unnecessary to make this deduction. In such cases, of course, every assistance will be given by the company so that the total sale of Defense Bonds will be as large as possible.

There was general agreement among those discussing this question that deductions should not be made for outside items such as loans from banks. Some have found that the only deductions resented by employees seem to be those made in connection with such outside activities as charitable drives, even including community fund campaigns. Thus some companies have already made it a policy to restrict deductions to items in connection with which the company is a party or for which it has some degree of responsibility. One personnel director suggested as a general principle that deductions be made only where the item is of direct benefit to the employees, is an integral part of employer-employee relationship, and represents something over which the employer can exercise some degree of control.

In excluding outside deductions, considerable pains are taken by these companies to make it clear to employees that this does not imply any company disapproval of charitable drives or similar activities but simply that it is felt these are not proper items for payroll deductions. In such cases various other types of assistance can be given on the drive, and executives believe in most cases that the total amount of contributions from employees does not suffer by this exclusion.

The consensus of the respondents is that company benefit plans such as hospitalization, credit unions, etc., do not succeed nearly so well without the help of the deduction device. Cases were cited where a credit union had not been a success until it was put on the deduction basis, and where hospitalization had not succeeded because of the lack of a deduction plan. It would seem, therefore, that another basic principle is this: within the group of deductions which it may be proper to make there must still be a choice, and the advantages of the plan to the employee must be carefully weighed against the disadvantages of a multiplicity of deductions.

NOTE: A copy of the complete report of this study will be sent to company members that request it.

Extension of Draftees' Group Insurance

Question: We have been carrying the group insurance of employees who have been drafted into military service and should like to know whether other concerns with a similar policy intend to continue such insurance if the term of service is extended.

Answer: Company policies with reference to employees whose military service will be extended beyond the year provided in the original Act have not as yet been definitely formulated. They will not be announced in most cases until final action has been taken by Congress. The attitude of leading companies, however, indicates a tendency toward continuing group insurance where it has been assumed by the company.

Many concerns feel that because of their original decision to carry the insurance of drafted employees the men did not apply for insurance under the National Service Insurance Act. Insurance under this Act must be taken within 120 days after entering the service or it cannot be obtained. Companies therefore hesitate to discontinue insurance at the end of the year and leave their men unprotected.

Many companies that are carrying group life insurance for their drafted workers will consequently continue it but will probably set a limit of another year with privilege of revision at such time, or will at least limit it to the period until hostilities begin. This latter provision is essential since insurance companies would not carry the risks on the same basis during wartime.

Some organizations have already revised their policies with respect to those newly drafted. These draftees are continued under company group insurance for only three months. This protects them until government insurance can be secured under the National Service Insurance Act. This insurance is available at low cost and has several advantages over group insurance, including waiver of premiums in the event of total disability under certain circumstances.

► IN 1870, before the typewriter—which was the first business machine—only 1,200 out of every million of population were engaged in office work. Then came the typewriter, followed by machines for adding, computing, accounting, record-keeping and other business procedures. Today there are 33,000 people per million of population engaged in office work, or 16 times as many per million of population as there were 70 years ago. In 1890, before the accounting machine, there were 159,000 bookkeepers and accountants. Now there are considerably more than a million.

—FREDERICK W. NICHOL, quoted in *Modern Industry* 7/15/41

Survey of Books for Executives

How to Supervise People. By Alfred M. Cooper. McGraw-Hill Book Company, Inc., New York, 1941. 150 pages. \$1.75.

In recent years the business press has been grinding out a great many books on foremanship and executive leadership. Since enlightened industrial leadership is still not a common trait, one is inclined to say of such books, "The more, the merrier"—even though, obviously, they cannot all be good enough for "must" reading.

This book, however, is distinctly a "must" for three classes of people in business: upper executives who want to arrange conference programs for the development of their supervisory force; foremen and supervisors who want to improve their own executive techniques; and ambitious employees who want to climb out of the ranks.

The organization of material is logical, and the style is lucid; first things are talked about first. Thus, Chapter I addresses the problem of how to *become* a supervisor before worrying about supervisory techniques. Chapter II analyzes the responsibilities of the supervisory job with respect to getting out production, physical conditions, development of morale, cooperation, training, and keeping records and mak-

ing reports. Succeeding chapters develop the "how" of meeting these responsibilities—with the omission of the last, presumably because the author did not wish to attempt a detailed discussion of matters peculiar to any one type of business.

Sixty-seven discussion questions at the close, classified under headings broadly paralleling the preceding chapter material, make the book a valuable manual for the man charged with foreman and supervisory training. The questions represent actual problem cases. In the author's own experience, many have required as much as an hour and a half each for proper group consideration, without repetition of ideas expressed.

Mr. Cooper has conducted thousands of conferences, attended by executives and supervisors from factories, public utilities, stores, offices, and public administrative agencies. His book of ideas and suggestions for the proper supervision of people represents the consensus of these practical persons—whose combined experience in supervision, according to the author, totals at least 100,000 years. The result is well worth your time.

Reviewed by Carl Heyel, Union Bag & Paper Corporation, New York.

The Flow of Business Funds and Consumer Purchasing Power.

By Ruth P. Mack. Columbia University Press, New York, 1941. 400 pages. \$3.75.

This book explores the problem of economic integration in a price economy. The question is attacked by studying the relationship, during a given interval of time, between current income distributions to consumers and consumer goods offered for sale. In the search for the causes of abundance and deficiency of buying power, business saving and investment constitute a significant area of investigation.

Dr. Mack undertakes this study with concepts defined unconventionally—in terms of money flows to or from business enterprises. SEC data for 54 large corporations are used to trace changes in profits, accruals for depreciation and other reserves, as well as expenditures for dividends, taxes, plant additions, etc.; flows of funds resulting from changes in long-term and working capital are also studied. A series of interviews with corporation officials deals with the way decisions are made covering the depreciation accrual and the purchase of capital equipment. The study of all the factors usually entering into the decision to purchase machines and expand plant reveals interesting cyclical and trend patterns and suggests that the "strike of capital" can be largely explained away by applying the usual criteria to current investment decisions.

The last chapter develops a framework whereby what happens in individual businesses may be related to what happens in the economy as a whole. Several suggestions concerning public policy emerge from the study.

Financing Defense Orders.

By Lynn L. Bollinger. McGraw-Hill Book Company, Inc., New York, 1941. 172 pages. \$2.50.

Here is the first book-length study to deal with the actual problems encountered in meeting the defense manufacturers' special needs for working capital. While some of the questions raised are purely technical, the great majority illustrate the importance not only of financial but also of national and broadly human considerations.

Stress is placed upon explaining to business men the problems and policies of defense authorities, and upon providing government officials with a clearer understanding of the manufacturers' difficulties. Numerous quotations and cases have been drawn upon, and frequently the cases themselves tell the story. Only verified cases have been used, and the author appears to have made every effort to distinguish between opinion and fact. Wherever possible, he discusses the conclusions indicated by the findings and presents suggestions regarding measures that might eliminate difficulties. A separate chapter is devoted to special problems in financing subcontractors.

Although certain practices and details are constantly changing, the

broadest and more basic points illustrated by the case studies in this book should be of practical value so long as the defense emergency lasts.

The Bull on the Bus. By A. Wineburgh. George W. Stewart, Publisher, Inc., New York, 1941. 208 pages. \$2.00.

A long and successful life in one or another phase of advertising has provided the author of this book with a fund of reminiscences that will interest men and women in business. The same lively anecdotes should stimulate and enlighten those who are young in business or preparing for a career.

The material throughout is brief,

informal and sensible. It poses working principles for advertising and selling and for business in general. The author presents a wealth of business experience and maintains an open mind and helpful curiosity, leaving the reader to form his own conclusions from the weight of results of various practices.

The stories told are interesting, and many are amusing. Some would adorn an after-dinner speech. For here are nationally-known companies in growing pains, significant decisions in their histories, personal talks with men whose names illumine American business. The story of the first advertising on Fifth Avenue buses, which lends the book its title, has not only food for the business man's thought but humor for his digestion.

Briefer Book Notes

BUREAUCRACY AND TRUSTEESHIP IN LARGE CORPORATIONS. By Marshall E. Dimock and Howard K. Hyde. Monograph No. 11, Temporary National Economic Committee. U. S. Government Printing Office, Washington, D. C., 1940. 144 pages. Beginning with a summary of the available information on diffusion of corporate ownership and the separation of ownership and control, this TNEC monograph plunges into an anatomical study of bureaucracy. In dealing with the structural and personnel problems inherent in size, it discusses the managerial correctives employed and recommends some that might secure and enforce greater trusteeship in business management. In particular, it stresses the salutary effect of full transparency of business operations.

SOURCES OF REGIONAL AND LOCAL CURRENT BUSINESS STATISTICS. By Elma S. Moulton. *Domestic Commerce Series No. 115*, U. S. Department of Commerce, 1940. Superintendent of Documents, Washington, D. C. 57 pages. 30 cents. This book attempts to list all sources of current business statistics for states, cities, counties, and miscellaneous regions and districts. It provides a ready reference list of the business series available for particular places, and the sources, or periodicals, in which they are carried. Secondary as well as primary sources are included.